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E.O. 11652: N/A

TAGS: ECON, EIND, ELAB, EGEN, UK

SUBJECT: LORD RYDER AND THE NATIONAL ENTERPRISE BOARD

S/UMMARY DURING A MEETING WITH LONDON-BASED LABOR ATTACHES

ON MARCH 2. LORD RYDER. CHAIRMAN OF THE NATIONAL ENTER-

PRISE BOARD. DECLARED THAT THERE HAD BEEN A REMARKABLE

CHANGE IN ATTITUDE BY BRITISH INDUSTRY TOWARD THE NATIO-

NAL ENTERPRISE BOARD DESPITE EARLIER "PANIC AND EVEN

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HYSTERIA" AND A FEAR THAT IT WAS OUT TO DESTROY THE PRIVATE SECTOR. LORD RYDER EXPRESSED CONFIDENCE THAT THE NEB CAN ACCOMPLISH ITS BASIC ROLE OF ASSISTING COMMERCIALLY VIABLE ENTERPRISES DESPITE OVERRIDING SOCIAL AND POLITICAL IMPERATIVES (SUCH AS THOSE WHICH NECESSITATED THE CHRYSLER BAIL-OUT). WHICH TEND TO NEGATE SUCH A ROLE. LIKE A NUMBER OF OTHER PUBLIC FIGURES WITH WHOM WE HAVE SPOKEN IN RECENT WEEKS. LORD RYDER WAS VERY BULLISH ABOUT THE BRITISH ECONOMY AND THE MAINTENANCE OF A MODERATE TRADE UNION ESTABLISHMENT AND A CENTRIST LABOR GOVERNMENT, WHERE THE "LEFT HAS BEEN DEFEATED IN EVERY FIGHT." END SUMMARY.

1. THE NATIONAL ENTERPRISE BOARD WAS ESTABLISHED UNDER THE INDUSTRY ACT OF 1975 AS A PUBLIC CORPORATION WHOSE PRINCIPAL OBJECTIVES ARE TO ASSIST THE ECONOMY OF THE UK. TO PROMOTE INDUSTRIAL EFFICIENCY AND INTERNATIONAL COMPETITIVENESS, AND TO PROVIDE PRODUCTIVE EMPLOYMENT. LORD RYDER BELIEVES THAT THE MOST SIGNIFICANT DEVELOPMENT IN RECENT MONTHS HAS BEEN THE CLEAR SHIFT IN ATTITUDE BY BRITISH INDUSTRY TOWARD THE NEB. "IN THE BEGINNING," HE SAID "THERE WAS PANIC AND EVEN HYSTERIA" IN INDUSTRY WHEN THE NEB WAS ESTABLISHED. IN LORD RYDER'S CHARACTERIZATION, INDUSTRY FEARED THAT THIS SIGNALLED THE BEGINNING OF THE END OF THE PRIVATE SECTOR. HE BELIEVES THAT THE SINGLE MOST IMPORTANT FACTOR WHICH LED TO THIS ATTITUDE WAS INDUSTRY'S DISLIKE AND FEAR OF ANTHONY WEDGWOOD BENN. WHO WAS THEN THE INDUSTRY SECRETARY. SINCE THEN THE LABOR GOVERNMENT HAS BEEN MAKING A DETERMINED EFFORT TO ASSURE INDUSTRY OF ITS BENIGN INTENTIONS. THE NEB CHAIRMAN SAID THAT MODERATES IN THE TRADE UNIONS HAD TAKEN HOLD AND THAT THE LEFT "HAD LOST EVERY MAJOR FIGHT" WITHIN THE GOVERNMENT.

3. THE NEB CHAIRMAN, WHILE AGREEING THAT CHANGES OF GOVERNMENT TEND TO DESTABILIZE GOVERNMENT PROGRAMS. IS CONFIDENT THAT THE CONSERVATIVES WILL DO VERY LITTLE VIOLENCE TO THE NEB WHEN THEY RETURN TO POWER. HE NOTED THAT THE CONSERVATIVES HAD GENERALLY SUPPORTED GOVERNMENT AID TO INDUSTRY, AND THE NEB OPERATION WAS IN NO WAY INCONSISTENT WITH CONSERVATIVE INTERESTS.

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4. LORD RYDER INSISTS THAT THE NEB WILL ACCOMPLISH ITS BASIC FUNCTION OF ASSISTING COMMERCIALLY VIABLE ENTERPRISES. HE WAS COMMENTING ON AN EDITORIAL IN THE "FINANCIAL TIMES" (MARCH 2 - BEING POUCHED) WHICH SUGGESTED A CONFLICT BETWEEN THE NEB'S RESPONSIBILITY TO BEHAVE COMMERCIALY AND THE VIEW OF THE TUC WHICH BELIEVES IT

SHOULD EXTEND PUBLIC OWNERSHIP INTO PROFITABLE MANUFACTURING INDUSTRY AS WELL AS PLAY A MAJOR ROLE IN BOOSTING EMPLOYMENT AND INVESTMENT -- ON NON-COMMERCIAL TERMS IF NECESSARY. HE EMPHASIZED THAT THE NEB WOULD ACT IN SITUATIONS SIMILAR TO THE CHRYSLER BAIL-OUT ONLY IF GOVERNMENT, ACTING DOR OVERRIDING SOCIAL AND POLITICAL REASONS, MADE A FORMAL REQUEST. THE NEB STANCE UNDER THOSE CIRCUMSTANCES WOULD BE ALONG THE FOLLOWING LINES" "WE, THE NEB, DON'T AGREE THAT THIS COMPANY SHOULD BE ASSISTED BY THE NEB. IF YOU, THE GOVERNMENT, WISH, YOU MUST TELL US TO DO SO AND STATE YOUR REASONS." FURTHERMORE, THE GOVERNMENT WILL HAVE TO FIND THE FUNDS OVER AND ABOVE THE NEB AUTHORIZATION AND WOULD BE, OF COURSE, ANSWERABLE TO PARLIAMENT IN SUCH CASES. (IN AN ASIDE, LORD RYDER ADDED

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THAT CHRYSLER WAS BAILED OUT FOR POLITICAL REASONS -- THE SCOTTISH SITUATION -- AND THAT HE DID NOT EXPECT CHRYSLER TO CONTINUE FOR MORE THAN TWO YEARS LONGER. HE BELIEVES THAT EVENTUALLY THE UK BIG THREE WILL BE FORD, BRITISH LEYLAND AND VAUXHALL.)

5. LORD RYDER SEES NO PROBLEM IN ADJUSTING TO RECENT
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DRAFT GUIDELINES FOR THE NEB WHICH HAVE BEEN ANNOUNCED BY THE DEPARTMENT OF INDUSTRY, WHICH HE SAID THE NEB HELPED TO DRAFT. HE IS QUITE COMFORTABLE, HE ADDED, WITH THE PROVISION IN THESE GUIDELINES WHICH REQUIRES THE NEB TO NOTIFY THE SECRETARY OF INDUSTRY OF ITS INTENTION TO ACQUIRE MORE THAN 10 PERCENT OF COMPANY VOTING RIGHTS IN COMPANIES WHOSE DIRECTORS ARE OPPOSED TO SUCH A MOVE. IN THOSE INSTANCES, THE SECRETARY OF STATE WOULD HAVE A VETO RIGHT.

6. IN LISTING PRIORITIES FOR THE NEB, LORD RYDER DECLARED THAT IT WILL CONCENTRATE ON AIDING EXPORT-INDUCING PROGRAMS WITH PARTICULAR EMPHASIS ON MIDDLE EAST PROSPECTS, WHERE HE THINKS THERE IS A CONSIDERABLE BASIS FOR INCREASED BRITISH INVOLVEMENT. HE SAID THAT THE NEB SHOULD HELP COMPANIES TO DEVELOP CONSORTIUM OPERATIONS IN THAT AREA BY ASSISTING THOSE COMPANIES WHICH ARE AFRAID TO TAKE A FINANCIAL RISK ALONE. (AT THE MOMENT, HE SAID. THE NEB IS AIDING ONE PROJECT IN DHUBAI AND ANOTHER IN THE MIDDLE EAST, BUT HE WOULD NOT DISCLOSE THE PRECISE LOCATION.) A SECOND MAJOR PRIORITY, HE SAID, IS TO HELP ASSURE THAT INDUSTRY -- IN CONTRAST TO PREVIOUS ECONOMIC UPTURNS -- HAD SUFFICIENT STOCKPILES TO MEET THEIR NEEDS IN THE LONGER TERM, HE CONTINUED, "WE WISH TO DEVOTE OUR EFFORTS TO IMPLEMENTING THE BRITISH TECHNOLOGICAL BREAKTHROUGH (SIMILAR TO THE MEDICAL "BODY SCANNER" WHICH EMI IS PRODUCING) BECAUSE ALL TOO OFTEN GREAT ADVANCES MADE IN THE UK ARE EXPLOITED ELSEWHERE."

7. IN GENERAL TERMS, LORD RYDER WAS RATHER BULLISH ABOUT THE FUTURE OF THE BRITISH ECONOMY AND OPTIMISTIC ABOUT BRITAIN'S "NEW INDUSTRIAL STRATEGY" -- AN ATTITUDE WHICH

SEEMS TO BE ALMOST A GENERAL REFRAIN EMANATING FROM GOVERNMENT AND OTHER PUBLIC FIGURES. INCLUDING SOME TRADE UNION LEADERS. HE SAID THAT ECONOMIC INDICATORS WERE POSITIVE. ALTHOUGH HE DOES BELIEVE THAT BRITAIN WILL HAVE TO ACCEPT A HIGHER UNDERLYING LEVEL OF UNEMPLOYMENT THAN IT DID A FEW YEARS AGO, HE THINKS THAT UNEMPLOYMENT WILL PEAK AT 1.5 OR 1.6 MILLION THIS YEAR (SEASONALLY ADJUSTED). HE IS ALSO RATHER OPTIMISTIC ABOUT "THE NEW INDUSTRIAL STRATEGY" WHICH HE SEES DEVELOPING SECTOR BY LIMITED OFFICIAL USE

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SECTOR. NOW. HE SAYS, THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL "WHICH HAS BEEN A KIND OF TALKING SHOP" CAN OPERATE WITH THE MUSCLE AFFORDED BY THE NEB. HE EXPECTS THE NEB TO SPEND ALL OF ITS 1 BILLION POUND ALLOTMENT OVER THE NEXT FIVE YEARS: "THERE IS PLENTY TO DO."

8. COMMENT: BRITISH INDUSTRY'S SUSPICIONS ABOUT THE NEB SEEM. IN FACT, TO HAVE ABATED CONSIDERABLY. THE DEPUTY DIRECTOR GENERAL OF THE CONFEDERATION OF BRITISH INDUSTRY, MR. ALAN SWINDEN. CONFIRMED THIS VIEW RECENTLY WHEN HE TOLD US THAT ABI DOES NOT NOW FEAR A MASSIVE TAKE-OVER OF INDUSTRY. THE NEW GUIDELINES OF THE NEB (BEING SENT BY AIRGRAM) IN FACT. DO REDUCE THE NEB'S "TAKE-OVER" POTENTIAL. LORD RYDER'S OPTIMISM ABOUT THE GENERAL ECONOMY ALSO APPEARS TO HAVE SOME JUSTIFICATION, IF ONE LOOKS, FOR EXAMPLE. AT THE IMPROVEMENT IN LAST MONTH'S UNEMPLOYMENT FIGURES, AND THE SLOW-DOWN IN THE RATE OF INFLATION. BUT NEGOTIATIONS OVER THE NEXT WAGE ROUND HAVE NOT YET BEGUN IN EARNEST, AND IT IS TOO SOON TO PREDICT THE FINAL OUTCOME OF THAT CRITICAL DEBATE. FURTHERMORE, NEB HAS JUST BEGUN TO OPERATE AND THE "NEW INDUSTRIAL STRATEGY" STILL REMAINS AN EXPRESSION OF PURPOSE RATHER THAN A PROGRAM.

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